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UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

IN RE: Chapter 11
Case No. 24-12534 (JKS)
CAREPOINT HEALTH SYSTEMS INC. (Jointly Administered)
d/b/a JUST HEALTH FOUNDATION,
et al.,
Debtors.
Courtroom No. 6
824 North Market Street
Wilmington, Delaware 19801
Friday, April 11, 2025
1:03 p.m.

TRANSCRIPT OF HEARING
BEFORE THE HONORABLE J. KATE STICKLES
UNITED STATES BANKRUPTCY JUDGE

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Agenda

Item 1: Decision regarding Plan Proponents' request
for confirmation of the Seventh Amended
Combined Disclosure Statement and Joint
Chapter 11 Plan of Reorganization
[Filed: 04/09/2025; D.I. 1131].

4

Court's Ruling:

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Transcriptionists' Certificate

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1 (Proceedings commence at 1:03 p.m.)

2 THE COURT: Good afternoon, everyone. This is
3 Judge Stickles. We're on the record in CarePoint Health
4 Systems, Case Number 24-12534.

5 This is the Court's ruling on the plan proponents'
6 request for confirmation of the seventh amended combined
7 disclosure statement and Chapter 11 plan of reorganization.

8 Before I begin, I just want to make sure that
9 someone -- I see parties available from the debtor. I just
10 want to make sure that the Committee and the objectors are
11 present. I see Mr. O'Neill.

12 You don't need to leave your camera on; I just
13 want to make sure that everyone is available.

14 And I see Mr. Harvey.

15 MR. O'NEILL: Yes, Your Honor.

16 THE COURT: And I hear --

17 MR. SPATHIS: Maple -- yeah, Maple is represented,
18 Your Honor. Thank you.

19 THE COURT: Okay. Thank you very much.

20 And I don't know if the U.S. Trustee is on this
21 afternoon.

22 (No verbal response)

23 THE COURT: Okay. On April 1, following a three-
24 day contested confirmation hearing, the Court ruled that
25 three issued precluded confirmation of the fifth amended

1 plan: HRH's recovery under the plan, Maple's diminution in
2 value claim, and equity retaining its interest in violation
3 of the absolute priority rule. The confirmation hearing
4 record was held open to allow the parties the opportunity to
5 address these issues.

6 On April 2, the debtors filed a sixth amended
7 plan. Several objections were filed to the plan. At
8 yesterday's continued confirmation hearing, the only
9 unresolved objections were the supplemental objections of
10 Maple Healthcare at Docket 1125; CarePoint Health Captive
11 Assurance Company's objection at 1126; and the joinder of the
12 three whole entities at Docket 1127. In addition, the plan
13 proponents and Strategic Ventures filed replies at Docket
14 1134 and 1136, respectively, as well as the seventh amended
15 plan.

16 In conjunction with the continued confirmation
17 hearing, the Court reviewed the supplemental Young voting
18 declaration at Docket 1087 and the supplemental Syed
19 declaration in further support of confirmation at Docket
20 1086, heard additional testimony from Mr. Syed, and reviewed
21 the Syed deposition designation, as well as various other
22 exhibits that were admitted into evidence.

23 The Court finds that with the amendments to the
24 plan, the plan proponents have met their burden and the
25 seventh amended plan satisfies the requirements of the

1 Bankruptcy Code.

2 First, with respect to the HRH recovery under the
3 plan, the Court ruled HRH could not recover more than 100
4 percent of its claim, that its \$32.7 million credit bid must
5 be reconciled against its allowed claim, and that HRH could
6 not continue to receive litigation trust proceeds after its
7 reconciled, allowed secured claim is paid in full.

8 Article 9(c) and (d) of the plan provide that HRH
9 cannot recover more than 100 percent of its claim; it's \$32.7
10 million credit bid must be reconciled against its allowed
11 claim and the plan further clarifies that HRH's entitlement
12 to share the proceeds of the litigation claims is consistent
13 with the negotiated settlement and this Court's ruling. So,
14 based on these modifications to the plan, the absolute
15 priority rule objections to HRH's claims are overruled.

16 Second, with respect to Maple's diminution in
17 value claim, the amended plan provides for payment in full of
18 Maple's diminution in value claim on the effective date of
19 the plan. This provision is compliant with Section
20 1129(a)(9) and the objection is overruled. And we are
21 address scheduling of Maple's diminution motion no the
22 context of a proposed order.

23 Third, the Court found that the fifth amended plan
24 violated Section 1129(b)(2)(B)(ii), because the holders of
25 equity in the practice groups retained their equity interest

1 without the consent of the practice group creditors or
2 payment in full of the claims of the practice group
3 creditors. To resolve this issue, the plan proponents
4 amended the plan to exclude the two practice groups, Garden
5 State and New Jersey Medical. This amendment resolves the
6 absolute priority rule objection and this treatment complies
7 with Section 1129(b) (2) (B) (ii).

8 The objectors argue the amendment, specifically,
9 the removal of the practice groups as confirming debtors
10 under the plan, creates several new issues that preclude
11 confirmation of the plan. First, the objectors argue that an
12 independent fiduciary is necessary to represent the practice
13 groups. The objectors raise a lot of potential what ifs,
14 with respect to connections between the confirming debtors
15 and the practice group, but no evidence of an actual conflict
16 was presented; rather, the evidence shows that the debtors'
17 interests are aligned both, the confirming debtors and the
18 practice groups. The objection is overruled. To be clear,
19 no party is precluded from seeking future relief related to
20 an independent fiduciary.

21 Captive also argues that potential issues related
22 to cure amounts and/or company claims and causes of action
23 prejudiced the rights of the practice groups. The plan
24 addresses all claims by expressly preserving any claims the
25 practice groups might have; more specifically, the plan

1 provides, quote:

2 "For the avoidance of doubt, any and all rights,
3 claims, and causes of action of Garden State Healthcare
4 Associates, LLC and New Jersey Medical & Health Associates
5 LLC against any of the debtors are expressly reserved and
6 preserved."

7 The plan should also expressly preserve issues
8 related to cure amounts. With that clarifying revision, the
9 objection is overruled.

10 Captive also challenges approval and effectiveness
11 of the releases pending an independent fiduciary. The
12 confirming debtors are not receiving releases. The debtor
13 releases contained in the plan release nondebtor third
14 parties, not the debtors or their current officers and
15 directors.

16 The definition of exculpated parties in the plan
17 does not include the debtors. The practice groups' right to
18 bring actions are reserved under the plan. This is
19 consistent with the language in Footnote 6 and 25 of the
20 plan, which expressly reserve and preserve any and all
21 rights, claims, and causes of action of the practice groups
22 against any of the debtors and/or any of the debtors against
23 the practice groups.

24 Moreover, Mr. McMichael clarified that the
25 practice groups are carved out of the exculpation provision

1 and that the practice groups give up nothing. The provision
2 should also be included in the plan, clarifying that the
3 exculpation provision does not apply to the practice groups
4 and causes of action are preserved.

5 With respect to professional fees, the debtors
6 have represented that they do not intend to allocate
7 professional fees to the practice groups and there is a
8 process in place to assert objection to professional fee
9 claims, so this objection is overruled.

10 Finally, in its objection, Captive argues the
11 practice groups are administratively insolvent and should be
12 converted to Chapter 7 cases. The evidence shows the
13 practice groups are meeting their obligations as they become
14 due and will remain debtors-in-possession with their assets
15 preserved; moreover, no motion to convert is currently
16 pending before the Court, so this objection is overruled.

17 Captive argues that re-solicitation is required
18 because, (A), the plan materially and adversely modifies the
19 treatment of Class 7, general unsecured claims, by expanding
20 the claims pool and the practice groups and their creditors
21 are receiving a materially different treatment under the
22 plan. The Court finds that re-solicitation is not required
23 and the objection is overruled.

24 Based on the Syed declaration, holders in Class 7
25 are not adversely affected by the removal of the practice

1 groups from the plan. According to Mr. Syed, quote:

2 "Removing the practice groups from the plan
3 removes two entities that operate at a loss and which do not
4 financially contribute to the confirming debtors."

5 While the objectors argue that Quality Care
6 Associates' schedule at Exhibit 198 lists Garden State as a
7 creditor with a \$36.7 million unsecured claim, the
8 calculation fails to consider the uncontroverted evidence
9 that the confirming debtors contribute \$50 million annually
10 to the practice groups and that the claims pool is now
11 reduced by \$19 million due to the removal of the claims
12 against the practice groups; as a result, the estimated
13 recovery to the general unsecured creditors, under the
14 seventh amended plan is no worse.

15 Further, the plan supplemental voting declaration
16 of Ms. Young at Docket 1087 reflects that the plan is
17 amended, has the requisite acceptances. Also, as the plan
18 proponents note, even if the creditors of the practice group
19 may ultimately receive worse recoveries from the practice
20 groups than were offered under the fifth amended plan,
21 creditors of the practice group are not eligible to vote on
22 the seventh amended plan.

23 And, finally, modifying plan provisions in the
24 context of a confirmation to address or resolve issues raised
25 by parties is not uncommon; in fact, Rule 3019(a)

1 contemplates such modifications. Here, the proposed
2 modifications do not adversely change the treatment and
3 therefore, it does not require re-solicitation.

4 As to substantive consolidation, Mr. Syed
5 testified that he incorporates his testimony from the initial
6 confirmation hearing with respect to substantive
7 consolidation. Nothing in the seventh amended plan changes
8 the interrelatedness of the 19 confirming debtors, the
9 massive undertaking to unscramble their assets and liability,
10 the lack of funding and resources to pursue such an endeavor,
11 and the harm to all creditors remains.

12 With respect to Strategic Ventures, the Court is
13 not being asked to prove the Strategic Ventures' term sheet.
14 A sentence must be added to the confirmation order making
15 clear that the Court is not approving the Strategic Ventures'
16 settlement or the term sheet and is not retaining
17 jurisdiction over any dispute related to the settlement.

18 Finally, with respect to feasibility, Mr. Syed
19 received as to the future projection under the plan and the
20 likelihood of success. The supplemental Syed declaration at
21 Docket 1086, paragraph 8, supports a finding that the
22 approval of the practice groups does not adversely affect
23 feasibility of the plan; in addition, paragraph 13 provides
24 that removal of the practice groups will not affect the
25 confirming debtors because the operations won't be affected

1 and the debtors will continue providing services to the
2 confirming debtors -- excuse me -- the doctors will continue
3 to provide services to the confirming debtors.

4 Again, the practice groups will remain debtors-in-
5 possession in these Chapter 11 cases after the effective date
6 and all of their assets will be preserved as the physicians
7 continue providing services to the confirming debtors. No
8 evidence or competing projections have been provided that
9 shows otherwise. Based on this evidence, the plan offers a
10 reasonable assurance of success. The Court finds the plan is
11 feasible and satisfies the requirements of 1129(a)(11).

12 In conclusion, based on the record in these cases,
13 the evidence and arguments presented, I find the plan
14 proponents have met their burden under the applicable
15 sections of the Bankruptcy Code to confirm the seventh
16 amended plan for the reasons stated on the record today and
17 at the confirmation ruling on April 1.

18 The Court will require certain modifications to
19 the proposed form of order. Also, to ensure the record is
20 clear, and for the reasons previously stated, the Court also
21 finds the voting declaration demonstrates the debtors have
22 satisfied the provisions of Section 1125 and 1126 of the
23 Bankruptcy Code, as applicable; in addition, the disclosure
24 statement satisfies the disclosure requirements of Section
25 1126(b)(2) of the Bankruptcy Code by providing adequate

1 information, as defined in Section 1125(a).

2 So, with that ruling, are the parties prepared to
3 review a form of order.

4 MR. MCMICHAEL: The debtors are prepared, Your
5 Honor. Mr. Hughes has control of the form of order and we
6 can make whatever changes the Court requires.

7 Before we do that, can I just clarify the three
8 changes that the Court has indicated it needs in the plan,
9 just so we get that right and we get it done right away?

10 THE COURT: Bear with me, I have to search.

11 (Pause)

12 THE COURT: A provision should be included in the
13 plan clarifying that the exculpation provision does not apply
14 to the practice groups and their causes of action are
15 preserved.

16 MR. MCMICHAEL: Right. Got that.

17 Preserved cure amount issues.

18 THE COURT: Yeah. I was going to do this after
19 the hearing for myself, so...

20 MR. MCMICHAEL: I think cure amount issues for the
21 practice groups, which are preserved for all creditors,
22 actually, the cure amounts are determined in the plan;
23 they're subject to --

24 THE COURT: Right.

25 MR. MCMICHAEL: We'll provide in the plan,

1 explicitly that in Footnote 6 and Footnote 25 that the
2 reservation includes cure amounts.

3 THE COURT: We're going to address Maple's
4 scheduling.

5 MR. MCMICHAEL: Maple's scheduling and you wanted
6 the sentence --

7 THE COURT: Bear with me.

8 MR. MCMICHAEL: -- I guess in the confirmation
9 order, indicating no approval of the Strategic Ventures'
10 settlement and no retention --

11 THE COURT: Right.

12 MR. MCMICHAEL: -- of jurisdiction, which is all
13 fine.

14 THE COURT: And I believe --

15 MR. MCMICHAEL: Yeah, the debtors will make both
16 of those changes.

17 THE COURT: I believe that's everything, with
18 respect to my oral ruling.

19 MR. MCMICHAEL: Okay. Thank you, Your Honor.

20 THE COURT: Certainly.

21 MR. HUGHES: Your Honor, may I ask for a further
22 clarification? I thought I heard the Court say that you need
23 revisions to the plan.

24 Can we accomplish those just by providing in the
25 confirmation order something along the lines of, the plan is

1 deemed modified as to X, Y, and Z, or do we need to actually
2 submit a further revised plan?

3 THE COURT: I'm going to ask that you file a
4 conformed plan so that what is out there, so people can see
5 what's the final form of the plan.

6 MR. HUGHES: Okay. We can certainly do that.

7 THE COURT: Okay. All right.

8 So, there were some issues raised by Captive at
9 the end of its objection with respect to the litigation
10 trust. And I'm going to start before the order, with some
11 general comments on documents. The litigation trust
12 agreement needs to be amended to be consistent with the plan,
13 with respect to who are the debtors and the same is true with
14 the MSA.

15 MR. SHERMAN: Your Honor, Andrew Sherman for the
16 Committee.

17 We have control of the trust agreement and we will
18 make that change.

19 THE COURT: Okay. Thank you, Mr. Sherman.

20 And I have a general comment, and this has to do
21 with the word "affiliate" and I would ask the parties to
22 consider this issue. The definition of "affiliate" is a Code
23 word, I mean, it's a Code definition. I'm hesitant, and your
24 definition in your plan of "affiliate" is, it refers you to
25 the Code.

1 So it seems to me that there is a clearer way to
2 address the removal of the practice groups in this case, as
3 debtors; I mean, they are certainly still debtors, they're
4 just not debtors for purposes of this plan. And so it would
5 seem to me that you could clarify Footnote 7 to say that
6 they're not debtors under this plan; they're affiliates and
7 that doesn't change.

8 MR. SHERMAN: So, Your Honor, we can put in an
9 overwrite somewhere in the plan to say, notwithstanding
10 anything to the contrary herein, the practice groups shall
11 not be considered debtors or confirming debtors --

12 THE COURT: Yes, something like that.

13 Yeah, and I would suggest that you work with Mr.
14 Harvey, just because I think to say, first of all, I don't
15 like the word "deemed," and you're going to hear me ask that
16 that be removed from this document, from the order. But it
17 just seems to me that that creates an ambiguity that we don't
18 need to create.

19 MR. SHERMAN: Correct, Your Honor.

20 MR. HARVEY: Your Honor, for the record -- excuse
21 me -- Matthew Harvey from Morris Nichols, on behalf of
22 Captive.

23 The issue with the affiliate word is that if you
24 look at, for example, the releases in the plan --

25 THE COURT: Right.

1 MR. HARVEY: -- the debtor is releasing, on behalf
2 of itself and its, capital A, affiliates. So I think that
3 was the solve the debtors and the Committee had come up with
4 to try to solve for that issue.

5 We disagree that that completely solved the issue,
6 but if Your Honor's ruling is that there needs to be a
7 general carve-out of the practice groups and their creditors
8 from any of the releases and exculpation, I think there's
9 another way we can solve for that.

10 THE COURT: Mr. Sherman, did you want to be heard?
11 You were on mute.

12 MR. SHERMAN: Yeah, we're happy to address these
13 issues with Mr. Harvey offline, Your Honor -- I don't want to
14 take up the Court's time -- and deal with it. We had a
15 number of meet-and-confers that were not successful. I hope
16 that this one will be more successful, so I look forward to
17 speaking with Mr. Harvey and we can hopefully address these
18 issues.

19 THE COURT: Yeah, I just am hesitant to modify a
20 defined Code term, okay.

21 I want to address a concern raised with respect to
22 the practice groups' books and records. I think that this is
23 addressed by Article 9(j) of the plan, but I want to confirm
24 with Captive, with Mr. Harvey that that adequately addresses
25 your issue.

1 MR. HARVEY: I'm sorry, Your Honor. You said
2 Article 9(j)?

3 THE COURT: Yes, this is regarding preservation of
4 books and records of the practice group.

5 MR. HARVEY: I don't have the plan in front of me,
6 but I can pull it up.

7 THE COURT: Okay. And, certainly, you can address
8 that offline. I think it's just clear that the books and
9 records of the practice group needs to be preserved and I
10 don't think it was anywhere in the plan it was suggesting
11 otherwise.

12 MR. HARVEY: Okay. We'll take a look at that.

13 THE COURT: Okay.

14 MR. HARVEY: Thank you, Your Honor.

15 THE COURT: Uh-huh.

16 I wanted to ask the parties about cancellation of
17 old securities and agreements and provision -- how to address
18 that, with respect to the practice groups, and this is
19 Article 9(h)(2).

20 MR. SHERMAN: I think, Your Honor -- Andrew
21 Sherman for the record -- I think we can just confirm whether
22 it's an assertion of 9(h) or otherwise, that there'll be no
23 cancellation of the equity, as it relates to the practice
24 groups.

25 THE COURT: Okay. And I think, Mr. Sherman,

1 Section 17(b) severability, it also needs to be addressed
2 there.

3 MR. SHERMAN: Will do, Your Honor. Thank you.

4 THE COURT: All right. With respect to the
5 proposed order, okay, on page 2, I would like you to
6 reference the declaration of Angela Murdock Riddley
7 (phonetic) at Docket 884, because her declaration was relied
8 upon by this Court in its prior ruling or prior -- the
9 initial confirmation ruling.

10 And with respect to Mr. Gross, and this is, like,
11 five lines up from the bottom, it should refer to his
12 testimony; strike a reference to his declaration, because
13 it's not in evidence.

14 With respect to the jurisdiction and venue,
15 paragraph (b), I'm going to ask you to strike the second
16 sentence; otherwise, this paragraph refers to jurisdiction,
17 venue, and core proceeding, and I think that's sufficient.

18 Okay. Paragraph (e) and (f), so I understand, and
19 the plan supplement includes the exit facility documents,
20 those documents, I understand, are not complete, but this
21 language, I'm going to try to simplify this a little bit.
22 And (e) and (f) in 13 and 14 are kind of together, but, first
23 of all, I have no comment, with respect to (e), except you
24 should add the United States Trustee as a party in this to
25 review. With respect to (f), I think you should strike

1 everything after the second sentence; it's unnecessary and I
2 don't have evidence for it. Actually, I'm sorry, we should
3 strike everything after the first sentence, because I don't
4 have evidence for it.

5 Okay. I think I'm going a little out of order
6 here. Bear with me one second.

7 (Pause)

8 THE COURT: My next comment is paragraph (m) (m).
9 This paragraph is a one-sentence paragraph. It should just
10 read: The Court retains. Strike "may" and "will properly";
11 just say, "The Court retains jurisdiction."

12 Paragraph (n) (n), I'm going to ask (inaudible)
13 necessary here. Paragraph --

14 MR. SPATHIS: Your Honor, your audio cut out, at
15 least, for me. Maybe you could repeat what you just said,
16 with respect to (n) (n).

17 THE COURT: With respect to (n) (n), that's a
18 prospective provision. (Inaudible.)

19 UNIDENTIFIED SPEAKER: Now, we can hear you.

20 UNIDENTIFIED SPEAKER: You're back.

21 THE COURT: You can hear me now?

22 UNIDENTIFIED SPEAKER: Yes.

23 UNIDENTIFIED SPEAKER: Yes.

24 THE COURT: Okay. Well, let me know if you can't
25 hear me again; just interrupt.

1 So, I think you said (n) (n) was the last one you
2 heard?

3 MR. MCMICHAEL: Your Honor, this is Larry
4 McMichael for the debtors. The last thing I heard was:

5 "Paragraph (n) (n) is a prospective revision" --

6 THE COURT: Yeah.

7 MR. MCMICHAEL: -- and that's where you stopped
8 there.

9 THE COURT: Okay. (N) (n) is prospective, so please
10 strike it.

11 And then (o) (o), this provision, this trustee has
12 a right under the trust agreement, so you can strike (o) (o).

13 In paragraph (p) (p), I would ask in the second
14 line that you insert "and the plan" after "order." So it
15 should read:

16 "The solicitation procedures order and the plan
17 set forth procedures..."

18 (Pause)

19 THE COURT: Okay, TT, T as in Tom, T, Tom-Tom,
20 this paragraph is really not a court finding. This is,
21 essentially, a stipulation between the parties but I think
22 that you can insert "As set forth in the record" at the
23 beginning of that paragraph. Then at the end of that
24 paragraph I think that you should include in there "The
25 parties are not seeking Court approval of the term sheet,"

1 and "The parties are not asking the Court to retain
2 jurisdiction with respect to the Strategic Venture settlement
3 or term sheet," something to that effect.

4 I am going to jump around a little bit. The word
5 "deemed" is used a lot in here, in a lot of different
6 contexts. It's used in Paragraph R, its used in Paragraph
7 20, 21, 22, 56, its used in sub-headers. I don't see the need
8 for the use of the word and unless the parties feel strongly
9 about it, I would ask you to strike it.

10 MR. SHERMAN: From the committee's perspective,
11 Your Honor, we can strike that.

12 MR. MCMICHAEL: Fine with the debtors.

13 THE COURT: Okay, with respect to the collateral
14 surrender agreement language that Maple requested in
15 Paragraphs 18 and 33, I received competing language that was
16 attached to Maple's markup of the confirmation order. I find
17 that language overly expansive and I am going to overrule
18 that language and leave the language as proposed in the
19 confirmation order as drafted at Docket 1133.

20 I am going to ask that the confirmation order, and
21 I think this is part of the footnote, making it clear that
22 the debtors -- with respect to this confirmation order it
23 does not include the practice groups and to clean up the
24 affiliate language. That is Footnote 4 and, I believe,
25 Footnote 6.

1 Now, with respect to the actual order portion of
2 the order, in Paragraph 2, and this is unique to me maybe,
3 but in the third line from the bottom its saying "It being
4 the intent of the Court." I ask that you strike that and
5 just so that it should read "Or provision, the plan, the plan
6 supplement," etc. Just strike "It being the intent of the
7 Court."

8 Paragraph 8, I want you to add at the beginning of
9 this paragraph "To the extent allowable by applicable law."

10 Paragraph 2, line 10, delete the word "empowered."

11 I don't know why Paragraph 11 is in this order.
12 My preference would be to delete it unless someone wants to
13 be heard with respect to this paragraph.

14 MR. SHERMAN: I think from the committee, Your
15 Honor, we can delete it.

16 THE COURT: I just think its surplusage and I
17 don't think it has substantive modifications.

18 MR. MCMICHAEL: Fine with the debtors.

19 THE COURT: Okay, this -- my next comment is
20 Paragraph 13. We have already stated in the findings that
21 documents for the exit facility remain under negotiation. So,
22 I think that you can strike in the second line that documents
23 remain under negotiation.

24 Then at the top of page 25, it says "In addition,
25 the plan proponents are authorized." It should say "to make

1 non-material modifications to the plan supplement documents."

2 MR. MCMICHAEL: I'm sorry, where was that, Your
3 Honor?

4 THE COURT: I'm sorry, we're on Paragraph 13, and
5 we are at the top of page 25, third line from the bottom. I
6 guess I should ask the parties, I presume that you're pretty
7 close on the exit facility documents. They were part of the
8 plan supplement and part of solicitation.

9 MR. SHERMAN: Yes.

10 MR. MCMICHAEL: I think HRH just needs to, you
11 know, go through them carefully and be sure of them. They
12 should be nearly complete.

13 THE COURT: Alright, so that should say "Non-
14 material modifications."

15 In Paragraph 14, I will authorize the debtors or
16 the plan proponents to enter into documents. So, in the
17 second sentence of Paragraph 14 it should read "The Court
18 hereby authorizes entry into the Capitala exit facility." I
19 am not going to approve those facilities because I don't have
20 a final document in front of me but I will authorize entry
21 into those.

22 My next comment is Paragraph 36, this paragraph
23 should be modified to include the language that Maple
24 proposed with respect to this paragraph.

25 In Paragraph 37, just delete the introductory

1 phrase. It should just read "The deadline for the litigation
2 trustee to assert or commence."

3 MR. SHERMAN: Your Honor, just one change. I just
4 want to make sure that your change to 36 doesn't impact 37
5 such that claims are preserved and nothing Maple changes in
6 36 creates a release or otherwise.

7 THE COURT: Okay, yes, please. Can we go off the
8 record one second, I want to grab a document that I don't
9 have with me. Let's take a quick recess and I will be right
10 back.

11 (Recess taken at 1:40 p.m.)

12 (Proceedings resumed at 1:41 p.m.)

13 THE COURT: Okay, we're back on the record.

14 Mr. Sherman, did you see the comment in Paragraph
15 36 that says, "Subject to Maple's rights regarding the
16 collateral sharing agreement as set forth herein?"

17 MR. SHERMAN: Yes, Your Honor. I think it's
18 subject to the rights and any defenses thereto. I think just
19 a corresponding so we don't have any -- whatever rights they
20 have and defenses or otherwise. I just don't want any rights
21 to change as a result of this order.

22 THE COURT: Understood. Mr. Harvey, did you want
23 to be heard?

24 MR. HARVEY: Yes, Your Honor. On Paragraph 36, I
25 think this is modifying the plan because it says that the

1 deadline to object to claims held by Maple, the prior owners,
2 for the Captive is governed by 108 and 546 but the plan says
3 that there is a claim objection of 180 days after the -- I
4 believe after the effective date.

5 THE COURT: Oh, you're looking at Paragraph 37.

6 MR. HARVEY: Yeah, sorry, Your Honor, 37. I
7 apologize.

8 MR. SHERMAN: Your Honor, 37 is there. So, we
9 have whatever 546 and 108 give us for causes of action. I
10 don't see a --

11 MR. HARVEY: It says any challenge or objection of
12 any kind to the amount or validity, and I'm paraphrasing
13 here, of any claims of the Maple, prior owners, and CarePoint
14 shall be governed, but the plan says they're governed by the
15 claim objection deadline.

16 THE COURT: So, its --

17 MR. SHERMAN: Yeah, so I think it's a
18 differentiation between a claim objection and an affirmative
19 cause of action. So, I think the affirmative cause of action
20 should be 108 and 546. If it's a claim objection it should be
21 consistent with the deadline.

22 THE COURT: Can the parties modify that and agree
23 on how to modify that to differentiate between the two.

24 MR. SHERMAN: Yes, Your Honor.

25 THE COURT: Okay. Thank you, Mr. Harvey, for

1 clarifying that.

2 MR. HARVEY: Thank you, Your Honor.

3 THE COURT: Paragraph 57 -- oh, let me ask the
4 question first. Is the language in 51 through 54 verbatim of
5 the plan? If it's not they need to -- the language in both
6 need to be consistent.

7 MR. SHERMAN: We will make them conforming, Your
8 Honor.

9 THE COURT: And, obviously, I know there is the
10 language regarding exculpation so I am not exactly sure where
11 you are going to fit that in, but just make sure they're
12 consistent.

13 Paragraph 57, so this has to do with dissolution
14 of committee. And does this need to be modified so that it
15 addresses all debtors and whether the effective date,
16 dismissal, conversion, whatever.

17 MR. SHERMAN: Yes, Your Honor. This was an
18 unintentional footfall, so we will fix it.

19 THE COURT: Paragraph 58, this speaks to service
20 of the confirmation order and the occurrence of the effective
21 date. Our local rules require service of orders within 48
22 hours. So, this needs to be segregated. I have no problem
23 with notice of effective date going out on five days but that
24 is -- these are not going to happen concurrently. So, in
25 accordance with the local rules the confirmation order needs

1 to be served within 48 hours.

2 I don't see the need for Paragraph 59 unless
3 someone wants to argue why it needs to be in here.

4 (No verbal response)

5 THE COURT: Okay, I'm going to ask that that be
6 stricken.

7 Paragraph 63, why is that in here?

8 MR. SHERMAN: So, we were not going to get limited
9 in going effective -- we can remove that.

10 THE COURT: Okay, Paragraph 64, and this has to do
11 with scheduling with respect to Maple's diminution in value
12 claim. I have read both parties proposed schedule and it
13 seems to me that experts are likely and so time for expert
14 reports need to be included in this provision. So, I know --
15 I forget exactly how many days I calculated between the two
16 but would a May 29th hearing work for the parties?

17 MR. MCMICHAEL: Your Honor, that would be
18 difficult. I mean, we can't go effective before May 29th. We
19 are going to have issues. I would have to consult with HRH
20 and figure out how this effects their ability to -- I think
21 we -- I don't want to say definitively one way or the other.

22 By the way, Your Honor has disabled my video and I
23 understand you don't want to see me but I can't put my video
24 on.

25 THE COURT: Mr. McMichael, I promise you I did not

1 disable your video. Can you fix that?

2 MR. MCMICHAEL: Every time I try to turn my camera
3 on it says your host has disabled your video. It's okay.

4 THE COURT: Here is what I don't want, I don't
5 want to hold up a confirmation order because the parties
6 can't agree on a schedule. And so -- but I will say I tried
7 to calculate some dates out for you. And while I could give
8 an earlier date, I am concerned about how you are going to
9 get this done.

10 MR. SHERMAN: Your Honor, can we request that Your
11 Honor pivot back to the escrow concept. So we can live with
12 the May 29th date if we can go effective earlier is, sort of,
13 what Mr. McMichael is saying. I will play tag team with him.
14 So, if the Court would impose the escrow so we meet the 1129
15 requirement on the payment of any diminution on the effective
16 date then we can have the hearing on the 29th.

17 THE COURT: I think the concern was that there
18 wouldn't be consensus on a number.

19 MR. SHERMAN: Hopefully, we can agree with --
20 maybe I could suggest this, Your Honor. If we put up and,
21 obviously, discuss with HRH but let's just use the midpoint
22 of the testimony yesterday, the million-five, and then give
23 our friends at Maple the right to augment that amount upon a
24 showing by the Court, because there was no evidence yesterday
25 of anything greater than what Mr. Syed said. So, if we give

1 them the right to try to increase it hopefully that is a fair
2 resolution.

3 MR. SPATHIS: I really would like to avoid -- I
4 don't have a problem with the concept of escrowing. I do
5 have a problem with the idea that we're going to have an
6 adversarial process with respect to how much should be
7 escrowed. Again, I don't think given what the evidence
8 demonstrated yesterday what a normal collection result would
9 be through proper handling of receivables, I think we have
10 pretty much established that I believe that \$5.4 million is
11 probably a fairly conservative number. I am certainly
12 willing to live with that as an escrowed amount.

13 I don't think there is competent evidence that the
14 number is in \$1 to \$2 million because I think we have
15 demonstrated that that is just -- that is just a function of
16 just a debtor that lacked the resources to adequately collect
17 its receivable, the prepetition receivable. We also have,
18 Your Honor, in the record --

19 THE COURT: I am not going to re-argue this.

20 MR. MCMICHAEL: Your Honor, I have a suggestion.
21 Can the Court simply order that the parties confer and
22 establish an appropriate schedule and get back to you rather
23 than trying to do it now?

24 THE COURT: I would much prefer that.

25 MR. MCMICHAEL: Why don't we just do that.

1 THE COURT: I would much prefer the parties confer
2 about a schedule and if you confer promptly I have a pretty
3 good availability in May.

4 MR. MCMICHAEL: Okay, so we will endeavor to do
5 that. If the order just says that the parties are ordered to
6 confer -- that Maple, and the debtors, and the committee are
7 ordered to confer promptly to establish a schedule or other
8 appropriate means for determining the diminution claim. I
9 mean it's possible we could agree to it once we all look at
10 the same information.

11 THE COURT: You can modify the order that way but,
12 you know, I will say that my concern is, and I certainly
13 think knowing the parties in this case that your skilled and
14 talented enough to come to resolution but this case has been
15 difficult for resolution. So, I certainly didn't want to
16 hold up things for a couple of weeks while parties argued
17 over hearing dates. But if you confer and then modify it
18 that you will confer and you will schedule separately, by
19 separate order, then reach out to my Chambers and I will have
20 availability for you. I can tell you this, though, it won't
21 be the week of May 12th because I don't have availability
22 that week but I do have some other availability.

23 MR. MCMICHAEL: We will do that. That solves the
24 problems for today.

25 THE COURT: Okay. One general comment I had, and

1 this is just going to take a hard read of these documents, is
2 to make sure that they're consistent and that the practice
3 groups are extracted.

4 Then I had another comment that I skipped over but
5 I don't know what my comment means to myself. Bear with me
6 one second.

7 (Pause)

8 THE COURT: Okay, I think those are all my
9 comments.

10 MR. MCMICHAEL: Your Honor, thank you very much.
11 We appreciate once again the amount of attention the Court
12 has given all the parties in this case. We will get the plan
13 and the confirmation order cleaned up and try to get it to
14 the Court by the end of the day today. I think all these
15 things can be implemented quickly. We will get right on it.

16 THE COURT: Bear with me one second, I think --
17 I'm sorry, I was listening, Mr. McMichael, but I'm trying to
18 look at my notes at the same time.

19 Did the parties -- we discussed Paragraph 37,
20 correct? 36, 37, yes, those -- Mr. Harvey confirmed -- okay,
21 yes, we discussed that. So, I think we got all of my
22 comments and you heard my comments earlier that weren't
23 specifically with respect to the order.

24 So, we will look for a form of order. If it gets
25 here, you know, by the close of business today we will get it

1 entered; otherwise, it will have to be next week.

2 MR. HUGHES: Your Honor, may I ask about that.
3 Peter Hughes for the debtors, Your Honor. I am mindful that
4 the Court has indicated that you will be out of the country
5 at a certain point. Is it critical that it happens today. I
6 just heard you say that it could be entered next week and I
7 just want to make sure we're all on the same page about your
8 schedule.

9 THE COURT: Well, I am out of the country. I am
10 going to have limited connectivity because of how things work
11 but because you have Epiq's website I can look at it on the
12 website.

13 MR. MCMICHAEL: Your Honor, there is -- yeah, as I
14 said today it immediately occurred to me its two o'clock now
15 and there is a -- I don't know if Your Honor is aware of this
16 or not but there is a funeral mass at, I think, five o'clock
17 for Judge Carey out in Bryn Mawr. I will be out there. So,
18 I need to leave town by around four to get to the church.
19 So, today may be difficult to get everything done.

20 MR. SPATHIS: Your Honor, I have great respect for
21 your vacation schedule and you have earned it but I do think
22 it probably is infeasible to think that we're going to get
23 this across the finish line in the next couple of hours. So,
24 apologies in advance.

25 THE COURT: Look, I would rather it be correct. I

1 am just telling you that I will have connectivity issues. I
2 am not going to be in a really accessible area. So, it may
3 take more then -- it may take a day for me to get back to
4 sign it, okay.

5 MR. MCMICHAEL: Understood, Your Honor.

6 THE COURT: I am just managing expectations.

7 Anything further?

8 MR. SPATHIS: Your Honor, I'm sorry, just one last
9 clarification. It didn't come up but I just want to -- I just
10 feel compelled to ask, with respect to Paragraph X, which
11 talked about the best interest of holders as part of the
12 order and we had asked that there be a -- this is George
13 Spathis on behalf of Maple. Added to the end of the
14 paragraph "Notwithstanding the foregoing, Maple reserves its
15 right to seek a valuation hearing with respect to its secured
16 claim against Hudson Hospital Opco LLC." You didn't mention
17 the paragraph.

18 THE COURT: I did. I'm sorry, I did miss that.
19 That to me is a reservation that you should put at the end of
20 the order. It is not a Court finding. That is why I missed
21 it in the order. So, I -- the parties can just put that,
22 similar to how you put settlements at the end of the order
23 just put a Maple reservation of rights.

24 MR. SPATHIS: That's fine. It wasn't important
25 that it be here. It was just important to Maple that it be

1 somewhere. So, as long as that happens then I think we're
2 good.

3 THE COURT: And let me just ask if there is any
4 issue because I don't want to create an issue when I am not
5 in a position to be able to get people on the phone.

6 MR. SHERMAN: Your Honor, Andrew Sherman for the
7 committee. I think we're fine with their reservation as long
8 as there's a corresponding reservation on behalf of the
9 estate.

10 THE COURT: Right.

11 MR. SPATHIS: I think that is -- I believe I
12 stated on the record we don't have a problem with the
13 corresponding reservation. So, I think this one might be one
14 that we will be able to resolve quite easily.

15 THE COURT: I'm confident that you will.

16 Okay, anything further?

17 MR. MCMICHAEL: Nothing from the debtors, Your
18 Honor.

19 MR. SPATHIS: Your Honor, I'm sorry.
20 Mr. McMichael, as I think about it, again, we could probably
21 shave off a couple of weeks off the schedule if we do
22 simultaneous exchange of expert reports and then during
23 deposition they can always -- okay, I see Andrew is shaking
24 his head.

25 MR. SHERMAN: Your Honor, we can address this

1 offline. I don't want to take up the Court's time.

2 MR. SPATHIS: I don't either. I just wanted to
3 plant that flag but -- okay, thank you, Your Honor. Have a
4 good trip.

5 THE COURT: Thank you. I appreciate everybody's
6 time throughout this process. You all have a great weekend.
7 We stand adjourned.

8 (Proceedings concluded at 2:00 p.m.)

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CERTIFICATION

We certify that the foregoing is a correct transcript from the electronic sound recording of the proceedings in the above-entitled matter to the best of our knowledge and ability.

/s/ William J. Garling

April 11, 2025

William J. Garling, CET-543

Certified Court Transcriptionist

For Reliable

/s/ Mary Zajackowski

April 11, 2025

Mary Zajackowski, CET-531

Certified Court Transcriptionist

For Reliable